

North Korea: Economic Sanctions Prior to Removal from Terrorism Designation

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Summary

This paper explains the U.S. economic sanctions in place up to the point when North Korea was delisted as a state sponsor of acts of international terrorism.

Until June 2008, U.S. economic sanctions were imposed against North Korea for five primary reasons: (1) North Korea is seen as posing a threat to U.S. national security; (2) North Korea is designated by the Secretary of State as a state sponsor or supporter of international terrorism; (3) North Korea is a Marxist-Leninist state, with a Communist government; (4) North Korea has been found by the State Department to have engaged in proliferation of weapons of mass destruction; and (5) North Korea has been found by the President to have detonated a nuclear explosive device. The United States has also taken steps to isolate the Macau-based Banco Delta Asia for counterfeiting and money-laundering activities, actions North Korea has characterized as attacks against it. In accordance with U.S. law, the United States limits some trade, denies trade in dual-use goods and services, limits foreign aid, and opposes entry into or support from international financial institutions. At the President's discretion, North Korea would also be subject to the economic sanctions pursuant to the International Religious Freedom Act of 1998, under which the administration has identified North Korea as a "country of particular concern" since 2001, and pursuant to the Trafficking Victims Protection Act of 2000, under which the administration has classified North Korea in the category of most severe offender (Tier 3) since 2003.

In October 2002, after meetings between high-level U.S. and North Korean government officials, the United States reported that North Korea had confirmed suspicions that it had reactivated its nuclear weapons development program. An international crisis ensued, with North Korea expelling International Atomic Energy Agency (IAEA) inspectors and declaring that it would withdraw from the Non-Proliferation Treaty. Participants in the Korean Energy Development Organization (KEDO)—including United States, Japan, South Korea and European Union—in turn suspended shipments of fuel oil. KEDO also suspended construction of the light-water reactors, the completion of which had been planned for 2003. North Korea officially withdrew from the Nuclear Nonproliferation Treaty on January 10, 2003 (effective three months hence), the first signatory country to do so.

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Background

U.S. Economic Sanctions Against North Korea

The United States imposes economic sanctions on North Korea for five primary reasons: (1) North Korea poses a threat to U.S. national security, as determined by the President and renewed annually under the terms of the Trading with the Enemy Act and National Emergencies Act; (2) North Korea is designated by the Secretary of State as a state sponsor or supporter of international terrorism, pursuant to the Export Administration Act of 1979; (3) North Korea is a Marxist-Leninist state, with a Communist government, and stated as such in the Export-Import Bank Act of 1945, and further restricted under the Foreign Assistance Act of 1961; (4) North Korea has been found by the State Department to have engaged in proliferation of weapons of mass destruction pursuant to the Arms Export Control Act, Export Administration Act of 1979, and Iran, North Korea, and Syria Nonproliferation Act of 2000; and (5) the President has determined that North Korea has detonated a nuclear explosive device, pursuant to the Arms Export Control Act and the Atomic Energy Act. The U.S. Treasury also has identified Banco Delta Asia, a bank based in Macau and used by the North Korean government, as engaging in activities “of primary money laundering concern” as part of the Treasury Department’s law enforcement efforts under new authority granted by the USA PATRIOT ACT to curtail international counterfeiting and money laundering. The U.S. action led to Macau seizing Banco Delta Asia and closing North Korea’s accounts.

At the President’s discretion, North Korea also could be subject to economic sanctions provided in three provisions of law addressing human rights conditions: the Foreign Assistance Act of 1961, under which North Korea is annually castigated for its human rights record; International Religious Freedom Act of 1998, under which the administration has identified North Korea as a “country of particular concern” since 2001; and Trafficking Victims Protection Act of 2000, under which the administration has, since 2003, classified North Korea as a Tier 3 (most severe) offender of standards pertaining to the trafficking of persons for slavery or sex trade. Any sanctions imposed pursuant to these acts would be largely redundant, however, with penalties already prescribed to North Korea for the above-stated reasons.

In October 2002, it came to light in negotiations between U.S. and North Korean government officials that North Korea was pursuing nuclear weapons capability. Over July 5-6, 2006, North Korea tested short-range and long-range ballistic missiles with varying degrees of success, the first tests since 1998. On October 8, 2006, North Korea reported that it had detonated a nuclear explosive device. The international community responded to the missile tests and nuclear detonation in the United Nations, adopting U.N. Security Council Resolutions that included the imposition of economic sanctions.

Recent Turn of Events

North Korea’s Renewal of Nuclear Weapons Program

Even with the advantage of hindsight, there is no consensus as to when the nuclear weapon crisis began. Some would see the beginning in the President’s 2002 State of the Union speech, in which he declared North Korea part of an “axis of evil.”¹ The subsequent escalation of threat against

¹ The language used by both the United States and North Korea over the last several years, some contend, has been part

another member of the of the axis—Iraq—some contend, left North Korea feeling vulnerable to the threat of attack in the foreseeable future. Some would cite the October 2002 meeting between State Department and North Korean government officials, after which U.S. officials reported that North Korea acknowledged U.S. accusations that it was renewing its nuclear weapons program² and thus breaking the terms of the 1994 Agreed Framework and several other international agreements and obligations to which it is party. Other analysts might point to the crisis of 1993-1994, during which North Korea announced it was withdrawing from the Non-Proliferation Treaty, asserting that the crisis never ended but instead has evolved into the current situation.³ Still others contend that origins of the crisis might be found in the nuclearization of India and Pakistan in 1998, by which the concept of nuclear weapons states and non-nuclear weapons states as a basis for international agreements was challenged, and the subsequent world reaction toward those events, which many cast as short-lived and relatively mild.

North Korea officially withdrew from the Nuclear Nonproliferation Treaty on January 10, 2003 (effective three months hence), the first signatory country to do so. In response, the IAEA Board of Governors adopted a resolution on February 12, 2003, declaring North Korea in noncompliance with its nuclear safeguard obligations and referring the matter to the U.N. Security Council.⁴ The U.N. Security Council, in turn, on April 9, 2003 (when the withdrawal went into effect), discussed the matter but declined to consider a resolution of condemnation or sanctions, reportedly because of the opposition of Russia and China—two Security Council permanent members with veto power.⁵

Six-Party Talks

The Bush administration's position has evolved in the years since the October 2002 meeting, after which the United States reported that North Korea was pursuing nuclear weapons capability. The United States participated in six-party talks—along with North Korea and its major trading partners and neighbors Japan, South Korea, China, and Russia—hosted by China in August 2003,

of the problem. The President's "axis of evil" reference in 2002 gave way to then-Secretary of State nominee Condoleezza Rice's "outposts of tyranny" testimony in 2005 before the Senate Committee on Foreign Relations. For North Korea's part, President Bush has been called a "philistine," a "half-baked man in terms of morality," and "a hooligan bereft of any personality as a human being," to note the more colorful. See President George W. Bush. *State of the Union*. January 29, 2002.

<http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html>

"Opening Remarks By Secretary of State-Designate Dr. Condoleezza Rice," *FDCH/Congressional Quarterly, Inc.* January 18, 2005.

Sang-hun, Choe. "U.S.-North Korea Insults Get Personal," *International Herald Tribune*. May 2, 2005, p. 3;

² Initially, North Korea denied the claim. Though it announced in March 2005 that it had a nuclear weapon, participants in the six-party talks other than the United States, particularly China and South Korea, publicly expressed doubts about North Korea's true capability or emerging arsenal. See Kahn, Joseph. "China Doubts U.S. Data on North Korean Nuclear Work," *The New York Times*. March 7, 2005. p. 7; and Herman, Burt. "Electricity Is Carrot in North Korea Talks," *Associated Press Online*. March 16, 2005. Even U.S. officials, on occasion, doubted the veracity of North Korea's announcements: Powell, Bill. "Walking the Tightrope; Kim Jong Il's Nuclear Brinkmanship Has China, South Korea, and the U.S. at Odds Over How Best to Bring Him Back to the Bargaining Table," *Time International*. February 28, 2005. p. 24.

³ The scope of this paper is to consider economic sanctions; other CRS products discuss in detail specific aspects of the U.S.-North Korea relationship. See CRS bibliography at end of this paper.

⁴ International Atomic Energy Agency document GOV/2003/14.

⁵ "Nuclear Ban Expires for N. Korea: U.N. Refuses to Condemn Treaty Pullout," *Associated Press*. April 11, 2003.

February 2004, June 2004, July/August 2005, September 2005, and—after North Korea’s nuclear test—December 2006.

The September 2005 talks, in waning moments, produced a preliminary agreement signed by all parties on September 19th. North Korea agreed to end its pursuit of nuclear weapons, rejoin the Nuclear Nonproliferation Treaty, and readmit IAEA inspectors. The other signatory states would provide North Korea with new security commitments and aid—including electricity from South Korea. Longer-term commitments included the United States taking steps to normalize its relations with North Korea, and all signatories would consider taking steps to provide a light-water reactor to that country.⁶

The September preliminary agreement did not state a timeline or sequence of events; it is generally agreed that all parties could not have signed it if it had. It was intended that subsequent meetings would be hosted by China, beginning probably in November 2005, to negotiate the implementation of the agreement.⁷ These multilateral meetings did not take place. Barely one day after the signing, President Bush stated that North Korea’s compliance with terms of the agreement relating to dismantlement required verification, and North Korea’s foreign minister declared it would not abandon its nuclear weapons program before the United States and others provided the civil-use light-water reactor.⁸ The September preliminary agreement was essentially scuttled as increasingly tense exchanges followed.

The December 2006 round resulted in a stalemate, and was followed by new threats from North Korea that it would test its nuclear weapons capability again soon.

United States Imposes Financial Sanctions

Around the same time, the United States pursued two paths to increase attention to North Korea’s illicit financial activities and proliferation pursuits.⁹ On June 28, 2005, the President initiated additional steps to impede financial transactions related to proliferation of weapons of mass destruction, targeting the financial and trade dealings of eight entities, of which three were North Korean (the remaining were Iranian).¹⁰ And on September 12, 2005, coinciding with a convening of the six-party talks, the Treasury Department found that Banco Delta Asia—a Macau-based bank in which North Korea had substantial holdings—was a “financial institution of primary

⁶ Kessler, Glenn. “U.S. Officials Wary of N. Korean Statement,” *Washington Post*. June 8, 2005. p. A17. Testimony of Christopher Hill, Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, and Richard Lawless, Deputy Assistant Secretary of Defense, Asian and Pacific Affairs, Bureau of International Security Affairs, before the House Committee on International Relations, Subcommittee on Asia and the Pacific. *Hearing on U.S. and Northeast Asia*. May 26, 2005. Kahn, Joseph. “North Korea Says It Will Abandon Nuclear Efforts,” *The New York Times*. September 19, 2005. p. 1. Kahn, Joseph and David E. Sanger. “U.S.-Korean Deal on Arms Leaves Key Points Open,” *The New York Times*. September 20, 2005. p. 1.

⁷ Kahn, Joseph. “North Korea Says It Will Abandon Nuclear Efforts,” *The New York Times*. September 19, 2005. p. 1.

⁸ “North Korea’s Nuclear Deal Needs to Verified: Bush,” *Agence France Presse*. September 19, 2005; U.S. Department of State, briefing, September 20, 2005; “U.S. Stance on North Korea Clear: No Compliance, No Nuclear Energy—First Step Must Be End To Nuclear Weapons Programs, U.S. Officials Say,” *State Department Press Releases and Documents*. September 20, 2005.

⁹ The prohibition of certain financial activities, some contend, could turn out to be a real can of worms. Could such actions marginalize the U.S. dollar in world trade, or could such actions transform the manner in which all countries exchange, verify, and protect, currencies? See, for example, Weisman, Steven R. “U.S. Pursues Tactic of Financial Isolation,” *The New York Times*. October 16, 2006. p. 10.

¹⁰ Executive Order 13382 of June 28, 2005 (70 F.R. 38567) and related Executive Orders may be found at 50 U.S.C. 1701 note (see especially, Executive Order 12938 (November 14, 1994)).

money laundering concern.”¹¹ Treasury Department’s Financial Crimes Enforcement Center found that North Korea may reap as much as \$500 million annually from counterfeiting, and another \$100-to-\$200 million annually from narcotics trafficking.¹² The use of financial sanctions, particularly those imposed on Banco Delta Asia, dominated post-September Accord speeches from North Korean officials. North Korea used the Banco Delta Asia action as its justification for not attending six-party talks, though many analysts suggest that North Korea would have stayed away in any event and the bank action just provided a convenient rationale. After the last round of six-party talks, in December 2006, North Korea’s chief negotiator cited the United States’ financial sanctions as his country’s primary obstacle to discussing other matters. U.S. negotiators contend that the financial sanctions have no direct relation to the international community’s concerns about North Korea’s nuclear pursuits.¹³

North Korea’s Ballistic Missiles Tests

On July 5, 2006, North Korea test-launched seven ballistic missiles, ending a self-imposed moratorium of eight years. In response, the U.N. Security Council, on July 15, 2006, unanimously adopted Security Council Resolution 1695. In it, the Security Council condemned the multiple launches, demanded North Korea recommit to a moratorium, and required all member states: “to exercise vigilance and prevent missile and missile-related items, materials, goods and technology being transferred to DPRK’s missile or WMD programmes; [and ...] prevent the procurement of missiles or missile related-items, materials, goods and technology from the DPRK, and the transfer of any financial resources in relation to DPRK’s missile or WMD programmes....”¹⁴

North Korea’s Nuclear Weapons Test

On October 8, 2006, North Korea announced that it had tested a nuclear explosive device.¹⁵ In response, on October 14, 2006, the United Nations Security Council unanimously adopted Resolution 1718 to condemn the test and call on North Korea to return to the six-party talks.

¹¹ Pursuant to 31 U.S.C. 5318A, as enacted by the USA PATRIOT Act (§ 311 of P.L. 107-56; 115 Stat. 298). In title III of that Act (International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001), Congress found that money laundering fuels transnational criminal enterprises, including international terrorism, and threatens to “undermine the integrity of U.S. financial institutions and ... global financial and trading systems upon which prosperity and growth depend ...” 31 U.S.C. 5318A(b) authorizes the Secretary of the Treasury to take “special measures” relative to financial institutions operating outside U.S. jurisdiction largely requiring transparent recordkeeping and reporting of financial transactions. Effective September 12, 2005, the Treasury Department’s Financial Crimes Enforcement Network issued a finding (70 F.R. 55214) and a notice of proposed rulemaking (to amend 31 CFR Part 103; 70 F.R. 55217).

¹² 70 F.R. 55215, which in turn cites Perl, Raphael. CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*.

¹³ Kahn, Joseph. “Talks End on North Korea’s Nuclear Weapons,” *The New York Times*. December 23, 2006. p. 9.

¹⁴ United Nations Security Council Resolution 1695 (2006) (UNSCR 1695), July 15, 2006, adopted 15 - 0. See also U.N. press release of the same date: “United Nations Security Council Condemns Democratic People’s Republic of Korea’s Missile Launches,” which includes a summary and statements of support/condemnation from representatives of Japan, the United States, China, United Kingdom, Russian Federation, Argentina, Tanzania, France, South Korea, and North Korea. In hearings before the Senate Committee on Banking, Housing and Urban Affairs on September 12, 2006, Treasury Deputy Under Secretary Daniel Glaser stated that the administration was using Executive Order 13382, issued June 2005, to implement the requirements of UNSCR 1695.

¹⁵ On December 7, 2007, President Bush determined that North Korea, a non-nuclear-weapon state, had detonated a nuclear explosive device, citing sec. 102(b) of the Arms Export Control Act and sec. 129 of the Atomic Energy Act Presidential Determination No. 2007-07. *Public Papers of the President*. December 18, 2006.

UNSCR 1718 invoked Chapter VII of the United Nations Charter—but barred military enforcement that could be allowed under Article 41—to require member states to:¹⁶

- prevent the direct or indirect supply, sale, or transfer to North Korea of conventional weapons, spare parts, delivery systems, or related items as identified by the newly established Committee of the U.N. Security Council;
- prevent the direct or indirect supply, sale, or transfer to North Korea of luxury goods;
- cease the procurement from North Korea of any conventional weapons, spare parts, delivery systems, or related items as identified by the newly established Committee of the U.N. Security Council;
- prevent the transfer to/from North Korea of training, advice, services, or assistance related to the provision, manufacture, maintenance, or use of such weapons or systems;
- freeze the assets and funds of individuals identified by the Committee of the U.N. Security Council “as being engaged in or providing support for, including through other illicit means, DPRK’s nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes, or by persons or entities acting on their behalf or at their direction ...,” but with significant exceptions;¹⁷
- prevent the entry into or transit through a territory of any person, or family member of such a person, designated by the Committee of the U.N. Security Council “as being responsible for, including through supporting or promoting, DPRK policies in relation to the DPRK’s nuclear-related, ballistic missile-related and other weapons of mass destruction-related programs ...,” but with exceptions;¹⁸
- prevent illicit trafficking in nuclear, chemical, or biological weapons, their means of delivery, and related materials, by engaging in “cooperative action including through inspection of cargo to and from the DPRK ...”; and
- “intensify ... diplomatic efforts, o refrain from any actions that might aggravate tension and to facilitate the early resumption of the Six-Party Talks ...” with a view to implement the September 19, 2005 agreement.

The U.N. Security Council, in UNSCR 1718, also demanded that North Korea:

¹⁶ UNSCR 1718 (2006) may be found on-line at http://www.un.org/Docs/sc/unsc_resolutions06.htm. See also: “Security Council Condemns Nuclear Test by Democratic People’s Republic of Korea, Unanimously Adopting Resolution 1718 (2006),” *US Fed News*. October 14, 2006, which includes text of the Resolution and supporting statements of representatives of the United States, France, China, United Kingdom, Russian Federation, Argentina, Japan, South Korea, and North Korea. U.N. Charter may be found online at <http://www.un.org/aboutun/charter/>.

¹⁷ Para. 9 of UNSCR 1718 (2006) exempts from freezing those financial or other assets or resources “(a) [t]o be necessary for basic expenses, including payment for foodstuffs, rent or mortgage, medicines and medical treatment, taxes, insurance premiums, and public utility charges, or exclusively for payment of reasonable professional fees and reimbursement of incurred expenses associated with the provision of legal services, or fees or service charges, in accordance with national laws, for routine holding or maintenance of frozen funds, other financial assets and economic resources... (b) [t]o be necessary for extraordinary expenses... or (c) [t]o be subject of a judicial, administrative or arbitral lien or judgement ...”

¹⁸ Para. 10 of UNSCR 1718 (2006) exempts “travel that is justified on the grounds of humanitarian need, including religious obligations, or where the Committee [of the U.N. Security Council] concludes that an exemption would otherwise further the objectives of the present resolution”.

- not conduct further tests of nuclear weapons or ballistic missiles;
- resume its self-proclaimed missile moratorium;
- abandon its pursuit of nuclear weapons capability;
- rejoin the Treaty on the Non-Proliferation of Nuclear Weapons;
- return to IAEA safeguards and inspections;
- abandon any other program in pursuit of weapons of mass destruction capability;
- cease the export of all conventional weapons, spare parts, delivery systems, or related items as identified by the newly established Committee of the U.N. Security Council; and
- return to the six-party talks to work toward the implementation of the September 19, 2005, agreement.

Member states of the United Nations are left to work within their own laws to implement the UNSCR 1718 (2006). Secretary of State Rice traveled to Asia from October 17 to 22, 2006, to meet with senior officials of most of North Korea's major trading partners.¹⁹

Overall State of Relations

Since 2004, North Korea has maintained that it would consider any imposition of sanctions under the auspices of the United Nations an act of war. On October 17, 2006, a spokesperson from North Korea's Foreign Ministry was credited with stating: "It is quite nonsensical to expect the DPRK to yield to the pressure and threat of someone at this time when it has become a nuclear weapons state.... The DPRK wants peace but is not afraid of war."²⁰

While few states have fully normalized relations with North Korea, only the United States has, until North Korea's nuclear test, maintained fairly comprehensive economic sanctions against that country since the 1950-53 conflict. Indeed, in 2002 some analysts proffered that North Korea's coyness about its nuclear weapons pursuits was calculated, in part, to increase pressure to remove the remaining U.S. sanctions—particularly those associated with its designation as a supporter of international terrorism. A desire for increased economic assistance, normalization of economic and diplomatic relations, and a nonaggression pact between North Korea and the United States might also be motivating factors.

In response to the nuclear program start-up in 2002, and other foreign relations matters pending between the various neighboring states and North Korea, and without a U.N. Security Council resolution, North Korea's trading partners imposed unilateral economic and diplomatic sanctions. For example, Japan suspended rice shipments and later required all ships using its ports to have substantial environmental and accident liability insurance, a cost that few North Korean shippers could likely bear. Japan also has stated that relations between the two countries will not be normalized until North Korea is verifiably denuclearized. In December 2002, Japan, South Korea, and the United States suspended oil shipments promised under the 1994 Agreed Framework.

¹⁹ Secretary Rice traveled to Japan, South Korea, China, and Russia from October 17 to 22, 2006, to discuss implementation of UNSCR 1718 (2006) and other issues. <http://www.state.gov/secretary/trvl/2006/74017.htm> Some policy analysts have expressed concern that Taiwan, Japan, and South Korea face near-term decisions about pursuing nuclear capability, which, in turn raises very difficult questions about a regional arms race, Korea's reunification, and China's relations with Taiwan. Giacomo, Carol, "U.S. Reassuring Allies On Its Asia Role," *Reuters*. October 12, 2006; "Rice Goes To Korea, Via China," *USA Today.com*. October 16, 2006.

²⁰ Kim, Jack. "North Korea Defiant Amid Fears of Second Nuclear Test," *Reuters*. October 17, 2006; Chang, Jae-Soon. "N. Korea: Sanctions Are War Declaration," *Associated Press*. October 17, 2006.

Australia delayed opening an embassy in Pyongyang, originally scheduled to open by mid-2003, until the nuclear weapons issue is resolved. Reportedly in 2003, China briefly shut off deliveries through its oil pipeline to North Korea to pressure North Korea to join the first round of six-party talks, though subsequently declined to take this step a second time.

The new economic sanctions mandated by the United Nations barely tax the United States economy because of its relative lack of economic engagement with North Korea.²¹ North Korea's neighbors—China, Japan, and South Korea—however, conduct ever-increasing trade with North Korea, and account for 78.7% of North Korea's exports. In 2005, trade between North Korea and South Korea exceeds \$1 billion. Trade with China, Thailand, and Japan account for 48.4% of North Korea's imports.²² Trade between China and North Korea nearly doubled between 2002 and 2004, to \$1.39 billion. Trade between North Korea and Russia skyrocketed from \$80.7 million in 2002 to \$218.4 million in 2004.²³ Efforts to isolate and contain the country would require some economic sacrifice from all of North Korea's trading partners. The economic and social costs to North Korea, on the other hand, could be enormous, as it has come to rely on South Korea and China for food and energy, and in times of crisis has relied on all the six-party talk participants—including the United States—for substantial food aid and fuel oil shipments. One concern far greater than trade loss, of course, at least for North Korea's geographic neighbors, is that severe economic restrictions push the country and its government toward failure and collapse.²⁴

Following a North/South summit in 2000, South Korean companies began to invest in an industrial zone along the North Korea-South Korea border, in part to alleviate South Korea's domestic labor shortage. The industrial zone in Kaesong (Gaesong) hosts 15 South Korean businesses overseeing and financing the productions of garments and kitchenware, and is subsidized by the South Korean government.²⁵ North Korea, after years of negotiation with South Korea, enacted a law in November 2002 to guarantee visa-free access and corporate tax incentives to encourage cross-border development and investment. It is likely that North Korea sees benefits in South Korea's Sunshine Policy of greater engagement, inasmuch as its own gross domestic product (GDP) per capita at \$1,000 pales to that of \$18,000 in South Korea. While the goods, services, and materials that cross the North/South border to support Kaesong or as Kaesong's output would not be subject to the U.N. sanctions—because the goods and services, at this time, do not have a military application—a debate has emerged within South Korea as to the wisdom of continuing inter-Korean ties. South Korea's Choo Kyu-ho, spokesperson for the Foreign Ministry, stated after the U.N. Security Council vote: "We judged that the contents of the resolution of the U.N. Security Council do not directly affect the economic cooperation programs between the two Koreas, including Kaesong and Kumgang Mountain. We will go ahead with the

²¹ In 1999, President Clinton announced that most export restrictions against North Korea would be lifted; new regulations were implemented the following year. According to the U.S. International Trade Commission, in the first year, 2000, the United States exported \$2.7 million in goods to North Korea. U.S. exported in subsequent years: 2001, \$0.65 million; 2002, \$25.01 million; 2003, \$7.98 million; 2004, \$23.75 million; 2005, \$5.76 million; and 2006 (through August), \$0.0 million. <http://dataweb.usitc.gov>

²² Export and import figures are as of 2004. <https://www.cia.gov/cia/publications/factbook/index.html>

²³ Faiola, Anthony. "Despite U.S. Attempts, N. Korea Anything But Isolated; Regional Trade Boom Reflects Division Between Bush Priorities, Asian Interests," *The Washington Post*. May 12, 2005. p. A18.

²⁴ "The Nightmare Comes to Pass—North Korea," *The Economist*. October 14, 2006.

²⁵ "Seoul to Ensure Inter-Korean Cooperation Projects Continue Uninterrupted," *BBC Monitoring International Reports*. February 15, 2005. Separate from the current crisis, the Kaesong Industrial Complex has complicated free trade agreement negotiations between the United States and South Korea; see CRS Report RL33435, *The Proposed South Korea-U.S. Free Trade Agreement (KORUS FTA)*, by William H. Cooper and Mark E. Manyin.

economic cooperation programs in harmony with the resolution.”²⁶ It is reported that inter-country cooperation at the Kaesong Industrial Complex generates about \$0.6 million each month in wages in North Korea, of which the government takes some cut. Another South Korean project in North Korea, a tourist resort at Mount Kumgang (Geumgang), generates some \$1.0 million each month for the north.²⁷

U.S. Economic Sanctions Currently In Place

Because of what has been found to be a demonstrated threat to U.S. national security, support of international terrorism, maintenance of a communist, nonmarket economy, engagement in the proliferation of weapons of mass destruction, and illicit use of currencies, U.S. law authorizes the President to restrict trade, aid, arms sales and arms transfers to North Korea, and that country’s access to assets held under U.S. jurisdiction.

Trade

National Emergency Because of Threat to U.S. National Security

Three days after North Korea’s Armed Forces launched a full-scale invasion of South Korea in June 1950, the United States invoked a total embargo on exports to North Korea.²⁸ The Department of Commerce imposed the most restrictive export controls available against North Korea. Over the years, export controls were restated as the Export Administration Regulations, or EARs. In 1965, for example, the EARs were revised to sort countries into categories of relative restriction; North Korea was classified as a member of Country Group Z, the most restricted lot.²⁹

In 1989, the EARs were again modified to allow the export to North Korea of commercially-supplied goods intended to meet basic human needs. The regulations stipulated that shipments would require validated licenses on a case-by-case basis.

In 1995, as part of the United States’ engagement of North Korea under the 1994 Agreed Framework, and again in September 1999, in response to North Korea’s willingness to cease missile testing, President Clinton announced the lifting of most export restrictions applied to that country. Regulations issued in June 2000 amended the EARs to reflect North Korea’s new relatively unfettered status. Many items that previously had required a license were now eligible for export without a license; certain items on the Commerce Control List (CCL) moved from a policy of denial status to case-by-case review.³⁰ Departments issuing the new regulations, however, stated that “[t]his easing of sanctions does not affect U.S. anti-terrorism or

²⁶ Onishi, Norimitsu, “Questions Grown Over U.N. Curbs on North Korea,” *The New York Times*. October 16, 2006. p. 1.

²⁷ “UN Sanctions Divide S. Korea Amid Questions of Their Usefulness,” *Asia Pulse*. October 17, 2006; “Suspension of Inter-Korean Business Only Hurts S. Korea: Official,” *Yonhap News Agency*. October 14, 2006; “Intelligence Body Wants Inter-Korean Ties Cooled,” *BBC Monitoring Asia Pacific*. October 17, 2006.

²⁸ Pursuant to authority in sec. 3 of the Export Control Act of 1949 (P.L. 11, 81st Congress; 63 Stat. 7). Superseded by subsequent export administration laws.

²⁹ The Export Administration Regulations are currently set at 15 CFR Parts 730-774; the regulations have been rewritten numerous times over the past 50 years for reasons of changing foreign policy, trade policy, and the administration of both.

³⁰ The Commerce Control List may be found at 15 CFR Part 774 Supplement No. 1.

nonproliferation export controls on North Korea, including end-user and end-use controls maintained under the Enhanced Proliferation Control Initiative.”³¹

Today, the remaining export restrictions against North Korea include a range of terms related largely to that country’s place on the State Department’s list of state supporters of international terrorism.³² Thus, items that are controlled for national security concerns generally are not available to North Korea. The country is on the most restrictive list—Country Group E—which severely limits its access to computers, software, national security-controlled items, items on the CCL, and service or repair of such items. North Korea also is limited as an end-user by some licenses because it is a communist state, though this problem can be overcome by license exceptions issued by the Department of Commerce.³³

The President currently has authority to ease export restrictions imposed against North Korea. Even if considered a supporter of international terrorism, licensing exceptions may be considered by the Commerce Department. To lift all the export controls applied to North Korea, that country would, at a minimum, have to be removed from the list of countries supporting acts of international terrorism maintained by the State Department pursuant to section 6(j) of the Export Administration Act of 1979. The President holds the authority to make such a change in the sec. 6(j) list.

Terrorism

Following the November 29, 1987, destruction of Korean Air Lines 858, in flight, by a bomb reportedly planted by two North Korean agents, Secretary of State George Shultz placed North Korea on the list of countries supporting international terrorism. Most elements of trade, Beneficiary Developing Country status, sales of items on the U.S. Munitions List, most foreign aid, Export-Import Bank funding, and support in international financial institutions are denied to countries found to be supporting international terrorism under the Export Administration Act of 1979.³⁴ North Korea was added to the list effective January 20, 1988.³⁵ Placement on the sec. 6(j)

³¹ 65 FR 38148-38166 (June 19, 2000), in which Departments of Commerce, Transportation, and the Treasury each issued changes to regulations (15 CFR Part 730 *et seq.*, 44 CFR Part 403, and 31 CFR Part 500, respectively) to implement the President’s June 1999 announcement. Items for which licensing was eased included computers, software, and related technology.

³² Terrorist states comprise those countries found by the Secretary of State to be supporters of international terrorism pursuant to sec. 6(j) of the Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. app. 2405), currently North Korea, Cuba, Iran, Syria and Sudan.

³³ The Export Administration Regulations (15 CFR Part 730 *et seq.*) at Part 744 address the matter of issuing a license based on the end-user’s status. For example, the issuing of export licenses for goods and services to South Korea is guided by that country’s placement on the Country Chart (at 15 CFR Part 738 Supplement No. 1), the item’s placement on the Commerce Control List (15 CFR Part 774 Supplement No. 1), and other factors particular to South Korea. But if an item is exported to South Korea as an intermediate point, with an end-user in North Korea, the latter country’s status relative to the Commerce Control List comes into consideration. This is a contentious issue as South Korea pursues the development of industrial zones in North Korea, such as Kaesong.

³⁴ Section 6(j) of P.L. 96-72 (50 U.S.C. app. 2405). Also currently listed as supporters of international terrorism are Cuba, Iran, Syria, and Sudan. See also sec. 40 of the Arms Export Control Act (22 U.S.C. 2780) and sec. 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371). Each of these sections of law authorizes the promulgation of a list of supporters of international terrorism, though no list has been generated under either section. It is generally considered that the list maintained pursuant to the Export Administration Act of 1979 applies to all three laws.

³⁵ Once a country is designated as a supporter of international terrorism pursuant to sec. 6(j) of the Export Administration Act of 1979, restrictions in several other laws are triggered. For example, any third country is likely to be denied U.S. aid if it has conducted business with a country listed under sec. 6(j), pursuant to secs. 620G and 620H of the Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2377, 2378), or the annual foreign aid appropriations act.

list not only results in the constriction of trade possibilities; placement also may trigger denial of beneficial trade designation (NTR or GSP), unfavorable tax status for investors, new limits on diplomatic relations, opposition in international financial institutions, and stricter licensing requirements for trade with the United States in food and medicine.³⁶

Following the easing of sanctions that pertained to trade, travel, and related transactions in 2000, there was some speculation that North Korea would be removed from the sec. 6(j) list of state sponsors of terrorism. North Korea was particularly interested in changing its status so that it could effectively apply for membership in the World Bank and the International Monetary Fund. The United States is required by law to oppose membership in the international financial institutions of, or financial support to, terrorist states. The United States discussed the matter with South Korea and Japan in 2000. South Korea supported North Korea's bid for this step toward normalization; Japan opposed a change in status until the matter of kidnapped Japanese citizens was resolved.³⁷ North Korea remains on the United States' sec. 6(j) list.

North Korea is also among those countries listed as being in violation of section 40A of the Arms Export Control Act, which prohibits the selling or licensing of defense articles or defense services to any country that the President finds "is not cooperating fully with United States antiterrorism efforts." The President is required to make such a determination annually, and the prohibition may be waived on grounds that it is in the national interest to do so.³⁸

Nonmarket State

The Trade Agreement Extension Act of 1951 required the suspension of Most-Favored-Nation trade status (which has since been replaced by Normal Trade Relations status) for all communist countries except Yugoslavia. As a result, North Korea was denied MFN trade status on September 1, 1951.

North Korea remains listed in the headnotes of the Harmonized Tariff Schedule of the United States (HTSUS) as a Rate of Duty Column 2 country (along with Cuba). As a result, while trade is not prohibited with North Korea under the relevant trade laws, tariffs are set at the highest rates for imports from that country.³⁹ A side result of being denied MFN or NTR is that any such country is also denied preferential trade treatment under the Generalized System of Preferences (GSP), pursuant to the Trade Act of 1974.⁴⁰

³⁶ See sec. 502 of the Trade Act of 1974 (P.L. 93-618; 19 U.S.C. 2462); sec. 901(j) of the International Revenue Code (26 U.S.C. 901(j)); 10 United States Code § 2327 (General Military Law); sec. 40 of the State Department Basic Authorities Act of 1956 (P.L. 84-885; 22 U.S.C. 2712); sec. 205 of the State Department Basic Authorities Act of 1956 (P.L. 84-885; 22 U.S.C. 4305); sec. 1621 of the International Financial Institutions Act (P.L. 95-118; 22 U.S.C. 262p-4q); sec. 501 of Miscellaneous Appropriations, 2000 (H.R. 3425, enacted by reference in P.L. 106-113; 22 U.S.C. 2395a note); and sec. 906 of the Trade Sanctions Reform and Export Enhancement Act (H.R. 5426, enacted by reference in P.L. 106-387; 22 U.S.C. 7205), as amended.

³⁷ See sec. 1621 of the International Financial Institutions Act (P.L. 95-118; 22 U.S.C. 262p-4q). See also Niksch, Larry A. CRS Report RL30613, *North Korea: Back on the Terrorism List?* .

³⁸ 22 U.S.C. 2781. The most recent certification, issued by the Secretary of State on May 8, 2006 (71 F.R. 28897), included Cuba, Iran, North Korea, Syria, and Venezuela. This section of law was added to the AECA in late 1996; North Korea is included on the list each year.

³⁹ Harmonized Tariff Schedule of the United States, general note 3(b). See also section 402 of the Trade Act of 1974, popularly referred to as the Jackson-Vanik amendment (19 U.S.C. 2432).

⁴⁰ Section 502(b)(1) of P.L. 93-618 (19 U.S.C. 2461).

Proliferator

On several occasions, North Korean entities have been found to be in violation of U.S. missile nonproliferation laws.⁴¹ Once a finding is made, the imposition of sanctions is mandatory, though sanctions may be waived if the President finds it “essential to the national security of the United States” to do so. The severity of the sanction depends on the type of material or technology transferred. The duration of the sanction also depends on the material or technology involved; generally sanctions are imposed for two years.

Sanctions include, at a minimum, a denial of contracts with agencies of the U.S. government, denial of licenses for items on the U.S. Munitions List (USML), and, at a maximum, a denial of all licenses for importing into the United States for the foreign person or entity.

Because North Korea is a nonmarket economy, all relevant activities of the government of North Korea are also sanctioned when entities in North Korea are found to have engaged in proliferation under U.S. law.

With the nuclear weapons test of October 8, 2006, the President has statutory authority—and in some cases is required—to cut off all foreign aid except humanitarian and food aid, deny sales or transfers of defense articles and defense services, deny export licenses for items on the U.S. Munitions List (USML), deny foreign military financing, deny credit underwritten or provided by government coffers, withhold U.S. support in the international financial institutions, deny export licenses for dual-use items, and withhold Export-Import Bank support.⁴² The United States already maintained a fairly comprehensive sanctions regime on North Korea, thus most of these relationships were already broken or limited.

Aid

Terrorism

Because the Secretary of State has identified the government of North Korea as a state sponsor of acts of international terrorism, it is denied most aid under the Foreign Assistance Act of 1961.⁴³ North Korea’s access to U.S. foreign assistance is also limited in annual foreign operations appropriations measures. In most instances, it is not expressly stated that the restriction or

⁴¹ Section 73 of the Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2797b), sec. 11B of the Export Administration Act (P.L. 96-72; 50 U.S.C. App. 2410b), and secs. 2 and 3 of the Iran, North Korea, and Syria Nonproliferation Act of 2000 (P.L. 106-178; 50 U.S.C. 1701 note), as amended. North Korea was added to the latter Act on October 13, 2006, with the signing into law of the North Korea Nonproliferation Act of 2006 (P.L. 109-353; 120 Stat. 2015). See **Appendix C** for a list of North Korean entities cited for proliferation activities, and the country in which the trading partner was likely based (when available).

⁴² Section 102 of the Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2799aa-1), popularly referred to as the Glenn amendment; sec. 2(b)(4) of the Export-Import Bank Act of 1945 (P.L. 79-173; 12 U.S.C. 635(b)(4)); and the current Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as continued (P.L. 109-102; 119 Stat. 2172), relating to Export-Import Bank funding. On December 7, 2006, President Bush determined that North Korea, a non-nuclear-weapon state, had detonated a nuclear explosive device, citing sec. 102(b) of the Arms Export Control Act and sec. 129 of the Atomic Energy Act Presidential Determination No. 2007-07. *Public Papers of the President*. December 18, 2006.

⁴³ Section 620A of that Act (P.L. 87-195; 22 U.S.C. 2371) prohibits most aid under its auspices as well as that of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480; 7 U.S.C. 1691 *et seq.*), Peace Corps Act (P.L. 87-293; 22 U.S.C. 2501 *et seq.*), and Export-Import Bank Act of 1945 (P.L. 79-173; 12 U.S.C. 635 *et seq.*). The section, however, also provides the President the authority to waive its application on humanitarian or national security grounds in some instances.

prohibition is associated with North Korea's place on the terrorist list. Even if the appropriations law prohibits the availability of foreign aid, there are numerous exceptions to the law. Thus, programs in nonproliferation, demining, child survival, conservation and biodiversity, food aid, debt buybacks, health and disease prevention, unanticipated contingencies, international disaster assistance, antiterrorism, may be funded or supported in spite of country-specific restrictions.

Under the current Foreign Operations, Export Financing, and Related Programs Appropriations Act,⁴⁴ North Korea is denied direct foreign aid and direct loans, credits, insurance and guarantees of the Export-Import Bank. In the same Act, supporters of international terrorism, of which North Korea is one, are denied bilateral assistance and participation in programs designed to provide debt relief to the poorest nations.

Under the current Department of Defense Appropriations Act, North Korea is denied assistance "unless specifically appropriated for that purpose."⁴⁵

At the President's discretion, North Korea would also be subject to the economic sanctions provided in three provisions of law addressing human rights conditions: the Foreign Assistance Act of 1961,⁴⁶ under which North Korea is annually castigated for its human rights record; the International Religious Freedom Act of 1998,⁴⁷ under which the administration has identified North Korea as a "country of particular concern" since 2001; and the Trafficking Victims Protection Act of 2000,⁴⁸ under which the administration has, since 2003, classified North Korea as a Tier 3 (most severe) offender of standards pertaining to the trafficking of persons for slavery or sex trade. Any sanctions imposed pursuant to these acts would be largely redundant, however, with penalties already prescribed to North Korea for the above-stated reasons.

Nonmarket State

The Export-Import Bank Act of 1945 also singles out Marxist-Leninist countries for denial of guarantees, insurance, credit, or other Bank funding programs. North Korea is specifically cited as a Marxist-Leninist country for purposes of the Export-Import Bank.⁴⁹

The Foreign Assistance Act of 1961 denies most non-humanitarian foreign assistance to any Communist country. North Korea is among five countries so designated, though the law is not limited to those countries named.⁵⁰

⁴⁴ P.L. 109-102 (119 Stat. 2172), extended by sec. 101(a)(3) of division B of the Department of Defense Appropriations Act, 2007 (P.L. 109-289; 120 Stat. 1257 at 1312), as amended, until an FY2007 Act is signed into law. In P.L. 109-102, see particularly sec. 507—Prohibition Against Direct Funding for Certain Countries (119 Stat. 2197); sec. 527—Prohibition on Bilateral Assistance to Terrorist Countries (119 Stat. 2205); and sec. 565—Special Debt Relief for the Poorest (119 Stat. 2225). Subsequent to its nuclear tests, North Korea would also be denied U.S. Export-Import Bank support under this Act—see title I (119 Stat. 2172).

⁴⁵ Section 8042 of the Department of Defense Appropriations Act, 2007 (P.L. 109-289; 120 Stat. 1257).

⁴⁶ Sections 116 and 502B of P.L. 87-195 (22 U.S.C. 2151n and 2304, respectively), as amended.

⁴⁷ P.L. 105-292 (22 U.S.C. 6401 *et seq.*).

⁴⁸ P.L. 106-386 (22 U.S.C. 7101 *et seq.*).

⁴⁹ Section 2(b)(2) of P.L. 79-173 (12 U.S.C. 635(b)(2)); amended in 1986 to include this ban on funding to Marxist-Leninist states.

⁵⁰ Section 620(f) of P.L. 87-195 (22 U.S.C. 2370(f)). Consider also subsec. (h) of that section, which requires the President to "adopt regulations and establish procedures to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of any country that is a Communist country for purposes of subsection (f)." Consider also sec. 5(b) of the Export Administration Act of 1979, which requires the President to "establish as a list of controlled countries those countries

Several laws deny benefits or assistance to communist countries, but do not explicitly name any particular state. Because North Korea has been denied such benefits or aid in the course of the events of the early 1950s and thereafter, these other sections of law would probably be redundant if applied to or cited for North Korea.

In some instances, the President may determine that, for purposes of a particular law, North Korea is no longer a “Marxist-Leninist state.” If, however, all other aspects of the U.S.-North Korea relationship were to improve, it would probably be necessary for Congress to remove North Korea from the list set out in the Export-Import Bank Act and the Foreign Assistance Act of 1961, or necessary for the President to exercise waiver authority made available to his office under those Acts, to make these other laws inapplicable to North Korea.⁵¹

Arms Sales and Arms Transfers

The International Traffic in Arms Regulations (ITAR), administered by the Department of State, begins:

It is the policy of the United States to deny licenses and other approvals for exports and imports of defense articles and defense services, destined for or originating in certain countries. This policy applies to Belarus, Cuba, Iran, Libya, North Korea, Syria and Vietnam. This policy also applies to countries with respect to which the United States maintains an arms embargo (e.g., Burma, China, Liberia, Somalia, and Sudan) or whenever an export would not otherwise be in furtherance of world peace and the security and foreign policy of the United States.⁵²

The first ITAR was issued on August 26, 1955; North Korea has been listed as a restricted country from the ITAR’s inception. The ITAR further states that any country found to be a supporter of international terrorism is subject to the ITAR prohibitions and those stated in section 40 of the Arms Export Control Act, which denies the export, directly or indirectly, of any munitions item, lease or loan, credits, guarantees, or other financial assistance to a terrorist country. Section 40 further prohibits U.S. individuals from engaging in such trade or support of such a country.

Importing of defense articles and defense services is similarly restricted by the Department of the Treasury’s Bureau of Alcohol, Tobacco, and Firearms, the regulations of which state:

It is the policy of the United States to deny licenses and other approvals with respect to defense articles and defense services originating in certain countries or areas. This policy applies to Cuba, Iran, Iraq, Libya, Mongolia, North Korea, Sudan, Syria, Vietnam, and some of the states that comprised the former Soviet Union (Armenia, Azerbaijan, Belarus, and Tajikistan). This policy applies to countries or areas with respect to which the United States maintains an arms embargo (e.g., Burma, China, the Federal Republic of Yugoslavia (Serbia and Montenegro), Haiti, Liberia, Rwanda, Somalia, Sudan, UNITA (Angola), and Zaire). It also applies when an import would not be in furtherance of world peace and the security and foreign policy of the United States.⁵³

set forth in section 620(f) of the Foreign Assistance Act of 1961 ... ”

⁵¹ For example: sec. 620(h) of the Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2370(h)), secs. 502(b)(1) and (b)(2)(A) of the Trade Act of 1974 (P.L. 93-618; 19 U.S.C. 2462(b)(2)(A)), sec. 5(b) of the Export Administration Act of 1979 (50 U.S.C. App. 2404(b)), and sec. 43 of the Bretton Woods Agreements Act (P.L. 79-171; 22 U.S.C. 286aa), the latter of which requires the U.S. Executive Directors to the International Monetary Fund “to actively oppose any facility involving use of Fund credit by any Communist dictatorship ... ”.

⁵² 22 CFR Part 126.1, authorized pursuant to sec. 38 of the Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2778).

⁵³ 27 CFR Part 447.52, also authorized under sec. 38 of the Arms Export Control Act.

Again, the President has the authority to change these regulations by removing North Korea from the list of restricted countries.

Access to Assets

Declaration of National Emergency

On December 16, 1950, President Truman invoked authority granted his office under the Trading With the Enemy Act to declare that a U.S. national emergency existed because of recent events in Korea (and elsewhere, as “world conquest by communist imperialism is a goal of the forces of aggression that have been loosed upon the world”).⁵⁴ A few days later, the Department of the Treasury issued Foreign Assets Control Regulations (FACR) to forbid any financial transactions involving, or on behalf of, North Korea and China, including transactions related to travel or the access to North Korean assets that were subject to U.S. jurisdiction.⁵⁵ Korea-related FACR have been modified on numerous occasions to take into consideration new circumstances (i.e., transactions relating to technology not in existence at the time the regulations were issued) or to ease restrictions in response to changing conditions (i.e., signing of the Agreed Framework, emerging reports of famine, North Korea’s announced moratorium on missile testing). Today the regulations continue to forbid transactions except in the following instances, in which the regulations:

- unblock assets of North Koreans who emigrated and established U.S. residency (1976) (41 F.R. 16554);
- ease travel-related restrictions for special activities (1989) (54 F.R. 5231);
- allow freer flow of informational materials (change in legislation not specifically targeting North Korea, 1989) (54 F.R. 5231; subsequently amended);
- establish telecommunication between the two countries (1992) (57 F.R. 58986; subsequently amended);
- authorize travel-related transactions, greater telecommunications, news bureaus, banking, and importing magnesite from North Korea after the Agreed Framework was reached (1995) (60 F.R. 8934);
- authorize donations targeting basic human needs after flooding and famine events (1996) (61 F.R. 9344);
- authorize certain aviation-related fee payments (1997) (62 F.R. 17548);
- allow transactions related to the exporting of computer hardware and software, provided there is adherence to the relevant Export Administration Regulations (2000) (65 F.R. 38165);

⁵⁴ Proclamation No. 2914 (December 16, 1950; 15 F.R. 9029). Section 5(b) of the Trading With the Enemy Act (TWEA) (P.L. 65-91; 50 U.S.C. app. 5(b)), at the time of the Korean crisis, authorized the President to curtail a range of transactions between the United States and a targeted country “[d]uring time of war or during any other period of national emergency declared by the President.” Today, the presidential authority to declare that a national emergency exists is stated in the National Emergencies Act (P.L. 94-412; 50 U.S.C. 1601 *et seq.*), and the authority to prohibit transactions because of a national emergency is stated in the International Emergency Economic Powers Act (IEEPA) (title II of P.L. 95-223; 50 U.S.C. 1701 *et seq.*) TWEA is amended to apply only during the time of war, except any exercise of authorities therein that was taken prior to amendment may continue if renewed annually by the President pursuant to authorities stated in IEEPA. The actions against North Korea are renewed annually.

⁵⁵ 31 CFR Part 500; 15 F.R. 9040; December 19, 1950, subsequently amended.

- allow North Koreans to invest in property under U.S. jurisdiction, provided the property interest is created on or after June 19, 1999 (the date of President Clinton's announcement to ease U.S.-North Korea relations) (2000) (65 F.R. 38165);
- allow imports from North Korea that do not violate various proliferation laws and regulations (2000) (65 F.R. 38165); and
- engage in transactions with the government of North Korea provided those transactions do not constitute a donation to a U.S. individual and do not violate laws and regulations relating to terrorism (2000) (65 F.R. 38165).

Generally, the President has the authority to change regulations, as long as those changes meet the requirements of any relevant law.⁵⁶ He also annually renews the state of national emergency, in place against North Korea since 1950. He could allow the declaration to expire or he could lift it at any time. Congress could terminate a declaration of national emergency by passing a joint resolution, under terms of the National Emergencies Act.

Proliferation of Weapons of Mass Destruction

On June 28, 2005, President Bush expanded the authority granted his office to address the threat posed by the proliferation of weapons of mass destruction—authority first exercised by President George H.W. Bush in 1990—to freeze assets and property of those engaged in the proliferation of weapons of mass destruction. The 41st President had declared that the United States faced a national emergency relating to weapons proliferation (in the absence, at the time, of a reauthorized Export Administration Act), and thus took steps in 1990 to control the exports of certain goods and services, and authorized a ban on foreign aid and credit, procurement contracts, imports and exports, support in international financial institutions, and landing rights.⁵⁷ The 43rd President's order took additional steps to block property and assets under U.S. jurisdiction of any person found, in part—

... to have engaged, or attempted to engage, in activities or transactions that have materially contributed to, or pose a risk of materially contributing to, the proliferation of weapons of mass destruction or their means of delivery (including missiles capable of delivering such weapons), including any efforts to manufacture, acquire, possess, develop, transport, transfer or use such items, by any person or foreign country of proliferation concern;

... to have provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, any activity or transaction described [above]

⁵⁶ In instances pertaining to other countries (most notably, Cuba), Congress has legislated what should be covered in regulations, as well as their flexibility or duration. Congress has also influenced specific regulations as they pertain to aspects of using sanctions in foreign policy, most recently by determining that food and medicine should not generally be restricted when sanctions are applied. That action required a restatement of several sections of regulations.

⁵⁷ Executive Order 12735 of November 16, 1990. On the same day, the President announced his intention to pocket veto H.R. 4653—the Omnibus Export Amendments Act of 1990—with which Congress intended to reauthorize the then-expired Export Administration Act of 1979. In his announcement, President Bush stated his intentions to curtail significantly trade in goods and services that lent themselves to the proliferation of weapons of mass destruction. See “Memorandum of Disapproval for the Omnibus Export Amendments Act of 1990,” *Public Papers of the President*, November 16, 1990. 26 Weekly Comp. Pres. Doc. 1839. E.O. 12735 was subsequently overhauled by President Clinton with the issuance of Executive Order 12938 (November 14, 1994; 59 F.R. 59099; 50 U.S.C. 1701 note). The national emergency therein is renewed annually.

... or any person whose property and interests in property are blocked pursuant to this order
...⁵⁸

The Executive Order identifies eight foreign entities, of which three are North Korean. Department of the Treasury's Office of Foreign Assets Control has subsequently added another eight North Korean entities to this restricted list, as well as a Swiss company that was found to engage in transactions with one of the North Korean restricted companies.⁵⁹

On January 9, 2007, the Department of the Treasury announced that it had designated Bank Sepah, a state-owned Iranian financial institution, as an entity materially contributing to Iran's proliferation activities. Bank Sepah, coincidentally, according to Treasury, is credited with transferring more than \$500,000 for an associate of the Korean Mining Development Corporation. That entity was cited on December 28, 2006, under the Iran, North Korea, and Syria Nonproliferation Act of 2000, for exporting missile technology to Iran.⁶⁰

Counterfeiting and Money-Laundering

On September 12, 2005, the Treasury Department found that Banco Delta Asia—a Macau-based bank in which North Korea had substantial holdings—was a “financial institution of primary money laundering concern.”⁶¹ Treasury Department's Financial Crimes Enforcement Center found that North Korea may reap as much as \$500 million annually from counterfeiting, and another \$100-to-\$200 million annually from narcotics trafficking. The finding authorizes the Secretary of the Treasury to require “special measures”⁶² on the part of U.S. financial institutions and financial agencies that involve increased record keeping and reporting on Banco Delta Asia's transactions. Though the Department of the Treasury has only issued a “proposed rulemaking” to impose the most stringent fifth special measure—to prohibit certain bank transactions—a regulation implementing this action has not yet been issued. Nonetheless, the finding and proposed rulemaking has had a chilling effect on Banco Delta Asia's international business relations. Department of the Treasury officials have testified that “some two dozen financial institutions across the globe have voluntarily cut back or terminated their business with North Korea, notably including institutions in China, Japan, Vietnam, Mongolia, and Singapore. The result of these voluntary actions is that it is becoming very difficult for the Kim Jong-Il regime to benefit from its criminal conduct.”⁶³

⁵⁸ Executive Order 13382, *Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters* (June 28, 2005; 70 F.R. 38567).

⁵⁹ Department of the Treasury. Office of Foreign Assets Control. “Nonproliferation: What You Need to Know About Treasury Restrictions.” *Information Bulletin*, most recently updated August 15, 2006, <http://www.treas.gov/offices/enforcement/ofac/programs/wmd/wmd.shtml>. See also testimony of Robert W. Werner, Director of the Office of Foreign Assets Control, Department of the Treasury, before the House Committee on Financial Services, February 16, 2006.

⁶⁰ Department of the Treasury. Press release. *Iran's Bank Sepah Designated by Treasury: Sepah Facilitating Iran's Weapons Program*. January 9, 2007. HP-219; Weisman, Steven. “U.S. Prohibits All Transactions with a Major Iranian Bank,” *The New York Times*. January 10, 2007. p. 3.

⁶¹ Pursuant to 31 U.S.C. 5318A, as enacted by the USA PATRIOT Act (§ 311 of P.L. 107-56; 115 Stat. 298). Effective September 12, 2005, the Treasury Department's Financial Crimes Enforcement Network issued a finding (70 F.R. 55214) and a notice of proposed rulemaking (to amend 31 CFR Part 103; 70 F.R. 55217).

⁶² 31 U.S.C. 5318A(b) defines “special measures” as (1) record keeping and reporting of certain financial transactions; (2) collection of information relating to beneficial ownership; (3) collection of information relating to certain payable-through accounts; (4) collection of information relating to certain correspondent accounts; and (5) prohibitions or conditions on opening or maintaining in the United States correspondent accounts or payable-through accounts.

⁶³ Senate Committee on Banking, Housing and Urban Affairs hearings, September 12, 2006, testimony of Treasury Deputy Under Secretary Daniel Glaser. *Congressional Quarterly*.

Appendix A. Other CRS Products Relating to North Korea

Overview

CRS Report RL33567, *Korea-U.S. Relations: Issues for Congress*, by Larry A. Niksch.

CRS Report RL33389, *North Korea: A Chronology of Events in 2005*, by Emma Chanlett-Avery, Mark E. Manyin, and Hannah Fischer.

CRS Report RL32743, *North Korea: A Chronology of Events, October 2002-December 2004*, by Mark E. Manyin, Emma Chanlett-Avery, and Helene Machart.

CRS Report RL32493, *North Korea: Economic Leverage and Policy Analysis*, by Dick K. Nanto and Emma Chanlett-Avery.

Proliferation

CRS Report RL33709, *North Korea's Nuclear Test: Motivations, Implications, and U.S. Options*, by Emma Chanlett-Avery and Sharon Squassoni.

CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch.

CRS Report RS21391, *North Korea's Nuclear Weapons: Latest Developments*, by Sharon Squassoni.

CRS Report RS21582, *North Korean Crisis: Possible Military Options*, by Edward F. Bruner.

CRS Report RS21473, *North Korean Ballistic Missile Threat to the United States*, by Steven A. Hildreth.

CRS Report RL31900, *Weapons of Mass Destruction: Trade Between North Korea and Pakistan*, by Sharon Squassoni.

Counterfeiting, International Narcotics Control

CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.

CRS Report RL33324, *North Korean Counterfeiting of U.S. Currency*, by Dick K. Nanto.

Foreign Aid

CRS Report RS21834, *U.S. Assistance to North Korea: Fact Sheet*, by Mark E. Manyin.

CRS Report RL31785, *Foreign Assistance to North Korea*, by Mark E. Manyin.

Appendix B. North Korea—Economic Sanctions Currently Imposed in Furtherance of U.S. Foreign Policy or National Security Objectives

| Rationale | Restriction | Statutory Basis [regulation] | Authority to impose | Authority to lift or waive |
|---------------------------------------|---|---|---|--|
| General foreign policy reasons | Limits the export of goods or services | Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 2401 et seq.) [15 CFR Part 730-774] | President, Secretary of Commerce, generally | President, Secretary of Commerce, generally |
| General foreign policy reasons | Limits proportionate share to international organizations which, in turn, expend funds in North Korea | Sec. 307, Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2227) | Statutory requirement | No waiver; exemption for certain IAEA programs |
| General foreign policy reasons | Prohibits assistance from defense appropriations | Sec. 8042, Department of Defense Appropriations Act, 2007 (P.L. 109-289; 120 Stat. 1257) | Statutory requirement | No waiver |
| Diplomatic relations severed | Prohibits most foreign aid and agricultural sales under P.L. 480 | Sec. 620(t), Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2370(t)) | Statutory requirement | No waiver |
| National security controls, communism | Limits the export of goods or services | Sec. 5, Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 2404) [15 CFR Part 730-774] | President | President |
| Communism | Prohibits foreign aid | Sec. 620(f), Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2370(f)) | Statutory requirement | President |
| Communism | Limits proportionate share to international organizations which, in turn, expend funds in North Korea | Sec. 307, Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2227) | Statutory requirement | No waiver; exemption for certain IAEA programs |
| Communism | Prohibits Export-Import Bank funding to Marxist-Leninist states | Sec. 2(b)(2), Export-Import Bank Act of 1945 (P.L. 79-173; 12 U.S.C. 635(b)(2)) | Statutory requirement | President |

| Rationale | Restriction | Statutory Basis [regulation] | Authority to impose | Authority to lift or waive |
|----------------------------------|---|---|--------------------------------|---|
| Communism | Prohibits support in the IFIs | Sec. 43, Bretton Woods Agreements Act (P.L. 79-171; 22 U.S.C. 286aa) | Statutory requirement | Secretary of the Treasury |
| Communism | Limits the export of goods or services | Sec. 5(b), Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 2404(b)) | Statutory requirement | President |
| Communism | Denies favorable trade terms | Sec. 401, Trade Act of 1974 (19 U.S.C. 2431) | Statutory requirement | President |
| Nonmarket economy and emigration | Denies favorable trade terms | Sec. 402, Trade Act of 1974 (19 U.S.C. 2432) | Statutory requirement | President |
| Nonmarket economy and emigration | Denies favorable trade terms | Sec. 409, Trade Act of 1974 (19 U.S.C. 2439) | President | President |
| Communism and market disruption | Denies favorable trade terms | Sec. 406, Trade Act of 1974 (19 U.S.C. 2436) | President | President |
| Communism | Denies Generalized System of Preferences designation | Sec. 502(b), Trade Act of 1974 (19 U.S.C. 2462(b)) | President | President |
| Terrorism | Limits the export of goods or services | Sec. 6(j), Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 2504(j)) | Secretary of State | Secretary of State, after the President notifies Congress |
| Terrorism | Prohibits licenses for arms exports/imports | Sec. 38, Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2778) [22 CFR Part 126.1, 27 CFR Part 447.52] | Secretary of State | Secretary of State |
| Terrorism, proliferation | Prohibits transactions related to defense articles and defense services | Sec. 40, Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2780) | Secretary of State | Secretary of State, after the President notifies Congress. President may also waive per each transaction. Congress may block a rescission by joint resolution. |

| Rationale | Restriction | Statutory Basis [regulation] | Authority to impose | Authority to lift or waive |
|---|---|--|---|---|
| Terrorism, failure to cooperate with U.S. efforts | Prohibits transactions related to defense articles and defense services | Sec. 40A, Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2781) | President | President, at annual review, or waived by the President if he finds it “important to the national interests of the United States.” |
| Terrorism | Prohibits most aid under the Foreign Assistance Act of 1961, Agricultural Trade Development and Assistance Act of 1954, Peace Corps Act, and Export-Import Bank Act of 1945 | Sec. 620A, Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. 2371) | Secretary of State | Secretary of State, after the President notifies Congress. Waived by President if he finds “that national security interests or humanitarian reasons justify a waiver ... ” |
| Terrorism | Prohibits imports | Sec. 505, International Security and Development Cooperation Act of 1985 (P.L. 99-83; 22 U.S.C. 2349aa-9) | President | President |
| Terrorism | Denies Export-Import Bank financing | Sec. 2(b)(1)(B), Export-Import Bank Act of 1945 (P.L. 79-173; 12 U.S.C. 635(b)(1)(B)) | President | President |
| Terrorism | Opposes loans or funding through international financial institutions | Sec. 1621, International Financial Institutions Act (P.L. 95-118; 22 U.S.C. 262p-4q) | Secretary of the treasury, if a country is listed under §6(j), EAA, or §620A, FAA’61. | Secretary of the Treasury (no waiver authority) |
| Terrorism | Opposes loans or funding through the International Monetary Fund | Sec. 6, Bretton Woods Agreements Act Amendments of 1978 (P.L. 95-435; 22 U.S.C. 286e-11) | Secretary of the treasury, if a country is listed under §6(j), EAA, or §620A, FAA’61. | Secretary of the Treasury (no waiver authority) |
| Terrorism | Prohibits bilateral assistance | Sec. 527, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as continued (P.L. 109-102; 119 Stat. 2205) | President | President, if he finds it in the national security interest, or for humanitarian reasons |
| Terrorism (though not explicitly stated as such) | Prohibits bilateral assistance | Sec. 507, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as continued (P.L. 109-102; 119 Stat. 2197) | Statutory requirement | No waiver |

| Rationale | Restriction | Statutory Basis [regulation] | Authority to impose | Authority to lift or waive |
|--|--|--|---|---|
| Terrorism | Prohibits participation in programs of special debt relief for the poorest | Sec. 565, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as continued (P.L. 109-102; 119 Stat. 2225) | Statutory requirement | No waiver |
| Terrorism | Limits export licensing for food and medicine; prohibits government financing for such exports | Secs. 906, 908 Trade Sanctions Reform Act of 2000 (P.L. 106-387; 22 U.S.C. 7205, 7207) | Statutory requirement | President, based on national security interests or humanitarian reasons |
| Terrorism | Limits provision of services to security forces, law enforcement, military, intelligence community | Sec. 40, State Department Basic Authorities Act (P.L. 84-885; 22 U.S.C. 2712) | Secretary of State | Secretary of State |
| Terrorism, Communism | Prohibits the acquisition of property in U.S. for diplomatic mission | Sec. 205, State Department Basic Authorities Act (P.L. 84-885; 22 U.S.C. 4305) | Secretary of State | Secretary of State |
| Terrorism, excessive military expenditure, human rights violations | Prohibits the cancellation or reduction of certain debt | Sec. 501, Miscellaneous Appropriations, 2000 (H.R. 3425, enacted by reference in P.L. 106-113; 22 U.S.C. 2395a note) | Statutory requirement | President |
| National emergency | Prohibits imports, exports, transactions related to transportation | Trading With the Enemy Act (P.L. 65-91; 50 U.S.C. app. 5(b)); International Emergency Economic Powers Act (P.L. 95-223; esp. at 50 U.S.C. 1702); National Emergencies Act (P.L. 94-412; 50 U.S.C. 1601 <i>et seq.</i>) [31 CFR Part 500] | President (Proclamation 2914; December 16, 1950; 15 F.R. 9029) | President |
| National emergency, proliferation of weapons of mass destruction | Blocks assets of named proliferators of weapons of mass destruction | International Emergency Economic Powers Act (P.L. 95-223; esp. at 50 U.S.C. 1702); National Emergencies Act (P.L. 94-412; 50 U.S.C. 1601 <i>et seq.</i>) | President [see Executive Order 13382, June 28, 2005; 50 U.S.C. 1701 note] | President |

| Rationale | Restriction | Statutory Basis [regulation] | Authority to impose | Authority to lift or waive |
|---|--|--|----------------------------|-----------------------------------|
| Proliferation of weapons of mass destruction: missiles | Prohibits a range of transactions—USG contracts, export licenses, imports into US | Sec. 73, Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2797b) | President | President |
| Proliferation of weapons of mass destruction: nuclear enrichment transfers | Prohibits foreign aid, military aid, | Sec. 101, Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2799aa) | President | President |
| Proliferation of weapons of mass destruction: nuclear reprocessing transfers, nuclear detonations | Prohibits foreign aid (except humanitarian), military aid, USG defense sales and transfers, export licenses for USML goods and services, USG-backed credits, support in the IFIs, agricultural credits or financing, US commercial bank financing, licenses for export of certain goods and services | Sec. 102, Arms Export Control Act (P.L. 90-629; 22 U.S.C. 2799aa-1) | President | President |
| Proliferation of weapons of mass destruction: nuclear detonations | Prohibits Export-Import Bank financing | Sec. 2(b)(4) of the Export-Import Bank Act of 1945 (P.L. 79-173; 12 U.S.C. 635(b)(4)) | Statutory requirement | President |
| Proliferation of weapons of mass destruction: nuclear detonations | Prohibits Export-Import Bank financing | Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as continued (P.L. 109-102; 119 Stat. 2172) | Statutory requirement | No waiver |
| Proliferation of weapons of mass destruction: missiles | Prohibits a range of transactions—contracts, export licenses, imports into US | Sec. 11B, Export Administration Act (P.L. 96-72; 50 U.S.C. app. 2410b) | President | President |
| Proliferation of weapons of mass destruction | Prohibits a range of transactions—arms sales and exports, dual-use exports, procurement contracts, assistance, imports, support in the IFIs, credit, landing rights | Sec. 3, Iran, North Korea, and Syria Nonproliferation Act of 2000 (P.L. 106-178; 50 U.S.C. 1701 note) | President | President |

| Rationale | Restriction | Statutory Basis [regulation] | Authority to impose | Authority to lift or waive |
|---------------------------------------|---|---|--------------------------------|---|
| Human rights (trafficking in persons) | Prohibits non-humanitarian foreign aid, cultural exchanges, support in international financial institutions | Sec. 110, Trafficking Victims Protection Act of 2000 (P.L. 106-386; 22 U.S.C. 7107) | President | President, waiver if in the national interest |
| Counterfeiting, money-laundering | Prohibits certain commercial bank transactions | 31 U.S.C. 5318A (generally referred to by its amendatory vehicle—Sec. 311, USA PATRIOT Act) | Secretary of the Treasury | Secretary of the Treasury |

Appendix C. North Korean Entities Cited for Proliferation Activities Under U.S. Law

| Effective Date/Cite | North Korean Entity | Possible Trading Partner (cited in same finding) | Activity/Statute |
|-----------------------------------|---|--|---|
| March 6, 1992 (57 F.R. 11767) | —Lyongaksan Machineries and Equipment Export Corporation; —Changgwang Credit Corporation | Ministry of Defense and Armed Forces (Iran) | Category I missile proliferation; contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |
| June 23, 1992 (57 F.R. 29924) | —Lyongaksan Machineries and Equipment Export Corporation; —Changgwang Credit Corporation | —Syrian Scientific Research Center; —Ministry of Defense (Syria) | Category I missile proliferation; contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |
| May 24, 1996 (61 F.R. 29785) | Changgwang Sinyong Corporation (Korea Mining Development Trading Bureau) | —Ministry of Defense Armed Forces Logistics (Iran); —State Purchasing Office (Iran) | Category II missile proliferation §73(a)(2)(A), AECA §11B(b)(1)(B)(i), EAA |
| August 6, 1997 (62 F.R. 44302) | Lyongaksan General Trading Corporation | Unnamed entity cited on same date, separate finding | Category II missile proliferation §73(a)(2)(A), AECA §11B(b)(1)(B)(i), EAA |
| August 6, 1997 (62 FR. 44302) | Korea Pugang Trading Corporation | Unnamed entity cited on same date, separate finding | Category II missile proliferation §73(a)(2)(A), AECA §11B(b)(1)(B)(i), EAA |
| April 17, 1998 (63 F.R. 24585) | Changgwang Sinyong Corporation (Korea Mining Development Trading Corporation) | Khan Research Laboratories (Pakistan) | Category I missile proliferation; contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |

| Effective Date/Cite | North Korean Entity | Possible Trading Partner (cited in same finding) | Activity/Statute |
|---------------------------------------|--------------------------------|--|---|
| April 6, 2000 (65 F.R. 20239) | Changgwang Sinyong Corporation | —Ministry of Defense and Armed Forces Logistics (MODAFL) (Iran); —Aerospace Industries Organization (AIO) (Iran); Shahid Hemmat Industrial Group (SHIG) (Iran); —SANAM Industrial Group (Iran) (Determination was made for an unnamed entity April 7, 2000) | Category I missile proliferation; contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |
| January 2, 2001 (66 F.R. 4050) | Changgwang Sinyong Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |
| June 14, 2001 (66 F.R. 33988) | Changgwang Sinyong Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |
| August 16, 2002 (67 F.R. 54693) | Changgwang Sinyong Corporation | Unnamed entity cited on same date, separate finding | Category II missile proliferation §73(a)(2)(A), AECA §11B(b)(1)(B)(i), EAA |
| March 24, 2003 (68 F.R. 16113) | Changgwang Sinyong Corporation | Unnamed entity cited on same date, separate finding | Category I missile proliferation; contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |
| June 26, 2003 (68 F.R. 40011) | Changgwang Sinyong Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |
| July 25, 2003 (68 F.R. 44136) | Changgwang Sinyong Corporation | Unnamed | Category I missile proliferation, contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |
| April 1, 2004 (69 F.R. 18415) | Changgwang Sinyong Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |
| September 23, 2004 (69 F.R. 58212) | Changgwang Sinyong Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |
| November 24, 2004 (69 F.R. 69989) | Changgwang Sinyong Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |

| Effective Date/Cite | North Korean Entity | Possible Trading Partner (cited in same finding) | Activity/Statute |
|---|--|--|---|
| December 27, 2004 (70 F.R. 133) | Paeksan Associated Corporation | Iranian entity/ies | WMD proliferation §§2 and 3, INA |
| June 28, 2005 (70 F.R. 38567) ^{a,b} | —Korea Mining Development Trading Corporation (Changgwang Sinyong Corp.); —Korea Ryonbong General Corporation; —Tanchon Commercial Bank (Changgwang Credit Bank) | N/A | WMD proliferation E.O. 13382; E.O. 12938; IEEPA; NEA |
| October 21, 2005 ^c | —Hesong Trading Corp.; —Korea Complex Equipment Import Corp.; —Korea International Chemical Joint Venture Company; —Korea Kwangsong Trading Corp.; —Korea Pugang Trading Corp.; —Korea Ryonha Machinery Joint Venture; Tosong Technology Trading Corp. | N/A | WMD proliferation E.O. 13382; E.O. 12938; IEEPA; NEA |
| December 7, 2006 (Presidential Determination No. 2007-07; <i>Public Papers of the President</i> , December 18, 2006) | —Government of North Korea | N/A | Detonating a nuclear explosive device §102(b)(2), AECA §129 AEA |
| December 28, 2006 (72 F.R. 606) | —Korea Mining Development Corporation | N/A [Iran mentioned in press accounts around the same time] | WMD proliferation §§2 and 3, INKSNA |
| September 26, 2007 (72 F.R. 54708) | —Korea Mining and Development Corporation | —Aerospace Industries Organization (AIO) (Iran) —Shahid Hemmat Industrial Group (SHIG) (Iran) | WMD proliferation E.O. 13382; E.O. 12938; IEEPA; NEA |
| September 26, 2007 (72 F.R. 54709) | —Korea Mining and Development Corporation | —Aerospace Industries Organization (AIO) (Iran) —Shahid Hemmat Industrial Group (SHIG) (Iran) | Category I missile proliferation; contribution to MTCR nonadherent §73(a)(2)(B), (C), AECA §11B(b)(1)(B)(ii), (iii), EAA |

| Effective Date/Cite | North Korean Entity | Possible Trading Partner (cited in same finding) | Activity/Statute |
|---------------------|---------------------|---|------------------|
| | | [cited in separate finding, see above] | |

Notes:

MTCR = Missile Technology Control Regime

WMD = Weapons of Mass Destruction

AECA = Arms Export Control Act

EAA = Export Administration Act of 1979

AEA = Atomic Energy Act

INA = Iran Nonproliferation Act of 2000

ISNA = Iran and Syria Nonproliferation Act of 2000 (INA, as amended 11/22/2005)

INKSNA = Iran, North Korea, and Syria Nonproliferation Act of 2000 (ISNA, as amended 10/13/2006)

E.O. = Executive Order

IEEPA = International Emergency Economic Powers Act

NEA = National Emergencies Act

OFAC = Office of Foreign Assets Control, Department of the Treasury

- a. In testimony before the House Committee on Financial Services, Subcommittee on Oversight and Investigations, OFAC Director Robert Werner identified the Korea Mining Development Trading Corporation as “Pyongyang’s premier arms dealer and main exporter of goods and equipment related to ballistic missiles and conventional weapons”; “the North Korean defense conglomerate Korea Ryonbong General Corporation ...” as a specialist “in acquisition for North Korean defense industries and support to Pyongyang’s military-related sales ... identified in export control watch lists in the United States and among U.S. allies ...”; and “Tanchon Commercial Bank, headquartered in Pyongyang, inherited from the Korea Changgwang Credit Bank Corporation ... the role as the main North Korean financial agent for sales of conventional arms, ballistic missiles, and good[s] related to the assembly and manufacture of such weapons. Since the late 1980s, Tanchon’s predecessor, [Changgwang ...] collected revenue from weapons-related sales that were concentrated in a handful of countries mainly located in the Mid-East and several African states. These revenues provide North Korea with a significant portion of its export earnings and financially aid Pyongyang’s own weapons development and arms-related purchases.” Capitol Hill Hearing Testimony, Congressional Quarterly, February 16, 2006.
- b. On March 30, 2006, the Department of the Treasury announced it would add Kohas AG, a Swiss company, and its president, Jakob Steiger, on the Blocked Entities list under E.O. 13382, because of its financial ties to Korea Ryonbong General Corporation. A subsidiary of Ryonbong owns nearly half the outstanding shares of Kohas. Department of the Treasury, Office of Foreign Assets Control. *Amendment of final rule*. 31 CFR Chapter v. 71 F.R. 39708 (July 13, 2006). Effective June 27, 2006. Aversa, Jeannine. “U.S. Freezes Assets of Swiss Company Tied to North Korea,” *Associated Press*. March 30, 2006. Stuart Levey, Under Secretary for Terrorism and Financial Intelligence, Department of the Treasury. Testimony before Senate Committee on Banking, Housing, and Urban Affairs, April 4, 2006, *Congressional Quarterly*.
- c. In his February 16, 2006 testimony before the House Committee on Finance, Subcommittee on Oversight and Investigations, OFAC Director Werner identified Hesong Trading Corporation and Tosong Technology Trading Corporation as owned or controlled by parent company Changgwang Sinyong Corporation. He further cited Korea Ryonbong General Corporation as the parent company of the remaining six entities identified for purposes of E.O. 13382.

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